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SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 7 May 1996, at 10 a.m.

President: Mr. Seung Kon LEE (Republic of Korea)

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The meeting was called to order at 10.15 a.m.

ORGANIZATIONAL MATTERS

1. **The PRESIDENT** said that the Bureau recommended the establishment of informal consultations to facilitate the drafting of decisions on agenda items 4 to 11 as well as item 14. Concerning item 13 — "Matters related to intergovernmental, non-governmental, governmental and other organizations" — the Board would have to decide on the applications of a number of intergovernmental organizations wishing to enter into a relationship agreement with UNIDO and of a number of non-governmental organizations that had applied for consultative status. It was recommended that the Bureau itself should examine the applications of those organizations and report directly to the plenary.

2. *The above recommendation was adopted.*

3. **The PRESIDENT** said that the Bureau recommended that Mr. Posta (Hungary), Vice-President of the Board, should chair the consultations.

4. A request had been received for the presentation of the staff's views. If he heard no objection, he would give the floor to the staff representative at the next meeting.

UNIDO POLICY FRAMEWORK — ORGANIZATIONAL AND STAFF STRUCTURE *(continued)* (IDB.15/14)

5. **Mr. HOJJAT** (Islamic Republic of Iran) said that as long as UNIDO was able to move ahead in fulfilling its mandate for the industrialization of the developing and the least developed countries, it would enjoy the support of those countries. Despite the goodwill shown by UNIDO's officials, the demands of Member States had not been met and the elementary requirements of industrialization not provided. In a world where the volume of global services was close to $4 trillion, of which only a small portion belonged to the developing countries, what were the prospects for those countries? The developing countries should have a greater share in the markets for software, engineering and consulting services. UNIDO should consider the benefits to Member States in agreements concluded with WTO or other specialized agencies or international organizations. UNIDO should enhance the engineering and consulting capabilities of Member States through such measures as specialized courses for the developing countries. The names of engineering and consulting firms in developing countries were registered on the UNIDO roster, but so far nothing had been done to assign subcontracting work to them. Such firms should be strengthened.

6. Member States had concluded that, in order to fulfil its mandate, UNIDO should undergo a fundamental restructuring. All organizations and firms were endeavouring to adapt to the accelerated pace of technological advancement. The Director-General had observed in document IDB.15/14 (paragraph 3) that the reform process had covered most of its ambitious agenda. Member States therefore hoped soon to see the positive results of the five development objectives of UNIDO approved as the main axis of UNIDO reform at the fifth session of the General Conference. They expected that, as a result of the reform, particular importance would be attached to strengthening and stabilizing the management of special programmes. Unfortunately, management of area programmes was now provisional and non-uniform.

7. His delegation commended the restructuring of UNIDO but would like the Director-General to pay close attention to the following recommendations: (a) UNIDO should avoid politicizing decisions and taking special positions; (b) it should allocate posts, particularly critical ones, on the basis of equitable geographical distribution; (c) appointment to and dismissal from critical posts must be carried out in consultation with the regional groups; (d) training activities in the developing and least developed countries must be strengthened and the Human Resource Development Programme must be revitalized; (e) the Director-General should present the cooperation programmes for Asian countries as soon as possible.

8. **Mr. BOERSNER** (Observer for Venezuela), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that the Group welcomed the Cochabamba Declaration adopted at the sixth Institutionalized Ministerial Meeting between the Rio Group and the European Union, held in April 1996. The Declaration stressed the importance of industrial development and UNIDO's role in the process.

9. Referring to document IDB.15/14, he said that GRULAC recognized the results achieved by the Director-General in the process of reform and restructuring. It encouraged him to pursue his efforts in that direction and reiterated its commitment to supporting the reform and restructuring process.

10. He noted that the Latin American countries remained convinced that UNIDO was the Organization needed to carry out the essential task of promoting effective and sustainable industrialization of developing countries. UNIDO's specific functions could not be taken on by any other organization, even those doing excellent work in the development field.

11. GRULAC supported the statement made by the Chairman of the Group of 77 at the first meeting and the draft decisions elaborated by the Group of 77.

12. **Mr. BENMOUSSA** (Morocco), speaking on behalf of the African Group, said that the rapid and sustainable industrial development of the developing countries and least developed countries was necessary to avoid the deterioration of their economic situation, particularly in the context of the trade liberalization system adopted at the end of the Uruguay Round. The reformed UNIDO should therefore have the capacity to provide essential support to the developing countries in order to make their industries more competitive at the international level. The reforms and restructuring were not an end in themselves but a means to build a stronger Organization able to fulfil its unique mandate. With the completion of the first stage of the reform process, UNIDO should now focus its efforts on other aspects of the reform. Those included: the concentration of its activities on the seven thematic priorities; implementation of the five sectoral priorities; promotion of high-impact projects; use of new financial modalities. The African countries would continue to provide their full support for the Director-General's efforts to revitalize the Organization, as long as the interests of the African region were taken into account, programmes for Africa implemented and the share of African staff in the Secretariat increased.

13. While other geographical areas were making great economic progress, Africa remained in the shadow of poverty, uncertainty and backwardness. Although Africa had been declared a geographical priority for UNIDO and the United Nations system as a whole, 10 stubborn facts pertained to that region. Seventy per cent of all LDCs and two thirds of all land-locked countries were in Africa. The gap between the developed countries and Africa was steadily increasing. The world's poorest citizens, who lived chiefly in Africa, possessed only 3.6 per cent of the world's wealth: in 1960, they had had 4.9 per cent. While foreign direct investment world-wide totalled $235 billion, the share of sub-Saharan African countries was less than $3 billion. The contribution of industry to the gross domestic product of African countries had stagnated since 1981. Industrial products constituted barely 11 per cent of the continent's trade balance. Africa's share in manufactured value added at the international level had decreased from 1 per cent in 1982 to less than 0.8 per cent in 1994. UNIDO's technical cooperation delivery for sub-Saharan countries had decreased from $27 million in 1992 to $12 million in 1995. There was not a single Investment Promotion Service in Africa. UNIDO field representation covered less than 50 per cent of all African countries and included a large contingent of Junior Professional Officers, whereas the continent needed more experienced officers.

14. UNIDO should focus its efforts on improving the management of the IDDA programme and should provide, during the biennium 1996-1997, an in-depth evaluation of implementation of the Second IDDA programme. The emphasis on the African continent within the restructuring plan should increasingly be reflected in other sectors. A close linkage should be established between the IDDA programme and the IPS network. Means of establishing an industrial training fund should be explored, since the presence of qualified human resources was indispensable for sustaining African industry and creating an environment conducive to attraction of foreign direct investment.

15. African countries were anxious to see the fulfilment of a number of promises made to Africa concerning its industrialization. More detailed information on the Alliance for Africa's Industrialization proposed by the Director-General was needed: what would be the relationship between the IDDA and the Alliance, what measures were envisaged for the financial and technical implementation of the Alliance, should the scarce money in the IDDA fund really be devoted to promoting the Alliance, and were any new initiatives at all really needed? Would it not be wiser to evaluate previous initiatives so as to understand why they had failed before launching new ones? Africa did not lack ideas and imagination, but was in need of funds and effective technical support from the international community. Regular consultations with African countries and missions were necessary in order to explore the best ways of achieving success.

16. The underrepresentation of the African continent within the Secretariat remained a major concern for the African Group. In view of the Director-General's undertaking to allocate a senior position for African nationals, it was difficult to understand why the head of the Least Developed Countries Unit was not from Africa. The African Group would insist on playing its proper role in the governance of the Organization through enhanced representation at the top management level. Justice was due to Africa; the principle of equity among States was at the very foundation of the United Nations system.

17. **Mrs. LAJOUS** (Mexico) said that the recent Cochabamba Declaration had emphasized the importance of industrialization as a means of achieving sustainable development and recognized the role of UNIDO therein. Similar expressions of support had emerged from other forums. The process of reform of UNIDO started by Member States in 1993 was now producing positive results.

18. The Mexican delegation had noted with satisfaction the information in document IDB.15/14 on the measures adopted in the first quarter of 1996, which covered the final phase of reform of UNIDO. The new format of the documents on the reform was a clear consequence of the changes which had taken place.

19. The 12 activity areas in which the work of the final phase of the reform would be concentrated fully corresponded to the expectations of Member States. Furthermore, the new organizational and staff structure provided better opportunities for ensuring effective links within the Organization. The new Policy Coordination Office would facilitate monitoring of the entire process of management of UNIDO services. The neutrality of quality assurance and evaluation would be better guaranteed, while the merging of the funds mobilization function and the regional and country programming function would provide a more integrated focus.

20. Her delegation was aware that the changes and adjustments in the Organization, the definition of activity areas and the introduction of the new teamwork approach had involved a large-scale staff reduction exercise, particularly in the past few months. The measures taken to cope with that difficult phase and the results achieved deserved full recognition.

21. With regard to the management of UNIDO services, her delegation, generally speaking, endorsed the proposals for focusing and simplifying the project cycle and welcomed the dual approach for the development of UNIDO service programmes, namely active programming and ad hoc responses. To guarantee the results expected of that approach, it was essential that there should be ongoing dialogue between and joint inputs by the Secretariat and Member States, particularly through their permanent missions in Vienna.

22. With regard to new programme initiatives, the Mexican delegation welcomed the progress reported in document IDB.15/14, on four of the five high-impact programmes developed. It urged Member States to participate actively in the submission of proposals for the definition and selection of new high-impact programmes.

23. The Mexican delegation attached particular importance to South-South cooperation and had noted with interest the renewed emphasis on economic and technical cooperation among developing countries and the efforts being made to reformulate UNIDO's South-South programme. The delegation had also noted the support offered by the Korea International Cooperation Agency for two seminars to take place before the next session of the Board. The Mexican Government was ready to participate and cooperate in strengthening South-South cooperation and looked forward to taking part in the seminar planned for Latin America.

24. The Director-General and Secretariat were to be commended for their efforts to promote better inter-agency coordination. In that connection, her delegation had been pleased to note the meetings that had taken place with agencies such as the World Bank, FAO, UNESCO, WHO and WTO. The memorandum of understanding signed recently between UNIDO and the Inter-American Development Bank establishing a model agreement for services to be provided by UNIDO in respect of technical cooperation projects financed by that bank was particularly important. The consultations between the Director-General of UNIDO and the Secretary-General of UNCTAD aimed at achieving greater complementarity in the respective work programmes and the proposals for annual high-level consultations and measures to increase cooperation in science and technology, investment promotion and enterprise development were also to be welcomed.

25. **Mr. MAZILU** (Romania), endorsing the statement made on behalf of the European Union, said that the report by the Director-General (IDB.15/14) showed that the reform process had been accelerated since the 1995 General Conference, which had marked the turning-point for UNIDO. The fact that the reform process appeared to be following the lines of GC.6/Res.1 was welcome. However, as far as the new programme initiatives were concerned, there appeared to be several unexplored possibilities of cooperation under the auspices of UNIDO which would take into account the experience of countries in transition and the role both as recipient and donor which those countries could play. Romania, being a beneficiary of UNIDO projects, was in a position to grant technical assistance to developing countries, and was ready to support any concrete action-oriented initiative which would link its industrial experience and potential with the needs of any of the least developed countries.

26. With regard to inter-agency coordination, his delegation welcomed the agreement concluded by UNIDO with organizations and financial institutions such as UNCTAD and the Inter-American Development Bank, and looked forward to the conclusion of the memorandum of understanding with UNDP.

27. In view of the active policy of many countries, particularly in Central and Eastern Europe, to attract foreign direct investment, the Board's attention was drawn to the possibility of intensifying the role of UNIDO in investment promotion activities. To that end, closer contacts with manufacturers' associations, chambers of commerce and so forth, which were in a

position to fund specific UNIDO projects, might usefully be made.

28. While supporting the idea of creating National Industrial Advisory Councils in various countries, the Romanian delegation considered that, in the process of establishing the prerogatives of such councils, UNIDO might usefully review the experience of the joint UNIDO national centres which were functioning successfully in several countries, and which might actively participate in the national councils and promote UNIDO's capabilities and expertise among local industrial partners.

29. **Mr. AKAO** (Japan), presenting his delegation's views on agenda item 4, concerning the policy framework of UNIDO, said that while recognizing the role of international organizations within the international community, the Japanese delegation considered it to be the responsibility of each organization to promote its efficiency, avoid duplication of work and re-examine its function and existence in the light of current needs. It consequently commended UNIDO on implementing a reform process which had yielded such positive results. As 1996 marked the concluding year of the reform process initiated at the 1993 General Conference session at Yaoundé, it was to be hoped that such steps as the setting of the seven thematic priorities, the reorganization and downsizing of the Secretariat and the improvement of internal procedures would result in tangible success for the Organization. It was also to be hoped that the reform process, which had begun before that of other organizations, would become a model for ongoing discussions in the United Nations and other international organizations.

30. The momentum of reform should henceforth be maintained to enable UNIDO eventually to evolve from an implementation agency to a policy advisory agency. That change would mean giving further priority to recipient countries and placing greater emphasis on upstream activities, taking into account the limited financial and human resource capability of the Organization.

31. In addition, to achieve the goals of reform based on the thematic priorities, the organization of the Secretariat would have to be strengthened through the redeployment of offices and personnel.

32. The Japanese delegation appreciated the numerous reform efforts by the Secretariat, assisted by external consultants, to improve the processes within the Organization, particularly through the introduction of a new project cycle management system, basic management principles, a new personnel policy, and an accounting system, all of which should be implemented in a timely manner. Furthermore, the Secretariat should report on the implementation and evaluation of the process at the next session of the Board.

33. The Japanese Government took a keen interest in the high-impact programmes and was considering providing funds for some of those programmes to the extent possible. It also noted with interest the information given in table 1 of the Director-General's report (IDB.15/14), and the programmes developed under the new programme initiatives.

34. The Japanese delegation strongly supported the selection of LDCs and Africa as priority areas for UNIDO services, given the importance of Africa's industrialization process and the Second IDDA. To achieve that objective, technical cooperation should be provided to those regions under the regular budget, and to other developing countries and economies in transition from extrabudgetary resources. In addition to the priority regions, UNIDO should play an important role in the reconstruction and rehabilitation of post-conflict regions throughout the world, such as Bosnia and Herzegovina, by initiating the industrialization process on an ad hoc basis.

35. Japan supported the Secretariat's cooperation with UNCTAD and WTO. However, when combining efforts with other international organizations, the Secretariat should set a demarcation line to prevent the duplication of mandates and establish a complementary relationship based on the comparative advantages of each organization.

36. The Japanese Government attached great importance to UNIDO's role in promoting the industrialization of developing countries and was committed to supporting the furtherance of UNIDO as a specialized agency capable of addressing the issue of development in a proper manner.

37. Referring to agenda item 6 ("Mobilization of financial resources for UNIDO programmes"), he said that the Japanese delegation encouraged the Secretariat's continued efforts to develop access to new donors and international organizations such as the Montreal Protocol, the Common Fund for Commodities, the Global Environment Facility, and the World Bank, and to mobilize financial resources by those and other means. It commended the successful efforts of the divisions directly concerned with the mobilization of such resources and particularly those which had successfully secured resources from the Montreal Fund. While encouraging further efforts in that regard, the Japanese delegation considered it essential to strengthen the function of the Coordination of Funds Mobilization Section.

38. On agenda item 10 ("Field representation"), he said that, in view of the serious financial situation of UNIDO and inevitable termination of financial support by UNDP to UCD offices at the end of 1997, the increasing difficulties of expanding or even maintaining the UCD network were obvious. The Japanese delegation therefore believed that the UCD programme should be financed from extrabudgetary resources and requested the Secretariat to seek alternative sources of financing for the UCD programme, as well as making it mandatory for host Governments to bear the local administrative costs.

39. The Secretariat should in future try to cover the LDCs and African countries as first priority in the redeployment of UCD offices and should introduce a rotation system between field office and headquarters personnel. That system would increase the fluidity of personnel arrangements and provide a means of ensuring field experience for all Professional staff members of the Secretariat, while fully supporting the goal of revitalizing UNIDO. In that connection, the practice of UNDP and UNICEF was a good example to follow.

40. On agenda item 11 ("Personnel matters"), he said that the Japanese delegation welcomed the fact that the staff separation scheme was proceeding in a positive manner, and hoped that the non-voluntary phase would be finalized harmoniously in the near future to enable UNIDO to concentrate on substantive matters. It was particularly important that the responsibilities of the remaining staff members be clearly defined, and for that reason the personnel structure of the Secretariat should be completed within the first half of 1996.

41. In order to create a new and revitalized UNIDO, the Secretariat should identify talented staff from its own midst, promote them to their full potential and deploy them in areas where their expertise could be maximized, as well as recruiting new blood from outside.

42. **Mrs. OK** (Turkey) said that it was clear from the documents on the reform process that UNIDO had adopted new, contemporary concepts never before considered. The Turkish delegation particularly appreciated the planned efforts to reform field offices, the personnel reform process, the reform of the governance process and improvements in communication and industry links. It was also clear that the painful staff reduction exercise had had a negative impact on the conclusion of the reform process, although the recommendations of the external consultants showed that there was still plenty of room for improvement.

43. Firstly, the government of UNIDO needed to be reformed. The vast changes introduced by the Board and the General Conference could only be implemented if the staff made the philosophy their own. That could only happen if the philosophy was completely transparent. The management of UNIDO had still failed to involve staff in the decision-making process. The involvement of staff would reduce the tendency towards indecision. A new management approach should be pursued, involving staff members, and decisions, once taken, should be implemented immediately.

44. Secondly, very important decisions relating to the improvement and reform of the Organization were still pending. Although efforts were being made towards new concepts, the reform process still needed to be speeded up if tangible qualitative and quantitative results were to be obtained. The Turkish delegation fully supported the suggestion of the external consultants that high performers in the Organization should be identified and given responsibility for reform activities. Reform would more easily be achieved with the necessary capacity and qualification and the delegation of authority to capable staff.

45. Thirdly, while the Turkish delegation had no objection to maintaining efforts to achieve a reasonable geographical distribution of staff, it had serious concerns about the ways that objective was pursued. Neither geographical distribution nor political considerations should be allowed to pre-empt qualification for any particular post. The Turkish delegation agreed with the consultants' proposal that the Organization adopt a training system to support the reform process, followed by the establishment of a common training system for the entire Vienna-based Organization, with outsourcing in general training areas such as EDP, management skills and languages.

46. Another important issue was the avoidance of duplication of activities with other international organizations. In that connection, it was crucial for the future of the Organization that UNIDO's management should make great efforts to emphasize the mandate conferred on it by the General Conference and seek the support of members and public opinion on that mandate.

47. In view of the present constraints within the United Nations system, it was no secret that many international organizations were in serious competition. The Organization should maintain a constant dialogue with Member States, communicating information on its activities as well as on the constraints which it faced in responding to their requests. In so doing, the Director-General should use the qualified technical officers in charge to brief or inform Member States.

48. Lastly, as recommended by the external consultants, UNIDO needed to elaborate on its function as a global forum and take immediate action to develop

that function. The Turkish delegation supported the external consultants' advice that the Information and Research Division should undertake that activity, even under a structural unit.

49. **Mr. JEDDA** (Tunisia) commended the Director-General and the Secretariat for their efforts to reform UNIDO and improve its effectiveness in promoting the industrialization of the developing countries and the LDCs.

50. During the present economic difficulties, developing countries needed greater support than ever in their efforts to renovate their industrial fabric in order to become more competitive and efficient. In that connection, the Tunisian delegation supported the statements made on behalf of the African Group and the Group of 77 and emphasized the importance of according high priority to the industrialization of the developing countries in general and to Africa in particular.

51. With regard to the reform of UNIDO, the Tunisian delegation attached importance to project cycle management, cross-organizational teamwork and consolidated reporting. It also felt that care should be taken to ensure that the roles and responsibilities of the various organizational units of UNIDO in the process of developing programmes and projects did not hamper project approval through the "rigorous screening" referred to in paragraph 14 of the Director-General's report (IDB.15/14).

52. Turning to paragraph 21 of that report, referring to programme and project implementation, the Tunisian delegation approved the preparation of a Director-General's bulletin on the principles and procedures for project implementation in order to increase quality services for Member States and reduce project implementation delays.

53. Referring to the Director-General's bulletins on management principles and the like, he suggested that, in order to consolidate UNIDO's new management culture, those bulletins should be brought together in a single uniform document. A similar approach would be useful with regard to the duties of the UCD and IPS offices.

54. With respect to the least developed countries, his delegation noted the statement in paragraph 31 of document IDB.15/14 that a more action-oriented programme would be presented to Member States in the second half of 1996.

55. His delegation looked forward to seeing the effective implementation of the reform process started in 1993 and the application of the thematic priorities agreed upon, especially those directly related to the industrialization of the developing countries in general.

56. In connection with the mobilization of financial resources for UNIDO programmes, his delegation would encourage the Secretariat to seek to develop access to new sources of financing for the industrialization of the developing countries from donor countries and international organizations, including the Global Environment Facility and the African Development Bank.

57. **Mr. GUYE** (Switzerland) welcomed the progress made in implementing the reforms that had been decided upon at Yaoundé in 1993, and hoped that the result would be a rejuvenated and more effective Organization capable of meeting the present challenges and of coping with the budgetary constraints now facing the whole United Nations family.

58. His delegation was somewhat concerned by the title of document IDB.15/14 — "Concluding the reform of UNIDO" — because a few months of additional efforts could hardly complete the reform process. It was clear that in-depth reform of an institution like UNIDO meant changing the culture and style of the Organization. There would be a need for continued strenuous reform for some time to come.

59. The effective decentralization of tasks and resources was also one of the Organization's priorities. It seemed clear that, as pointed out in document IDB.15/12, and particularly in paragraph 8, the establishment of 50 field offices, which had been regarded as crucial in order to strengthen the UNIDO presence in the field, would probably be unattainable without additional financial resources. But might it not be possible to bring about a decentralization that would have no budgetary implications or even enable economies to be made, by transferring tasks and personnel? His delegation believed that the field offices foreseen would be an essential element in a more effective UNIDO, closer to the realities in the field.

60. That having been said, Switzerland viewed the reform process so far as positive and was happy to continue its support for the Organization.

61. He would like now to refer to agenda items 8 ("Second Industrial Development Decade for Africa") and 9 ("Industrialization of the least developed countries"). There was general agreement on the need to give priority to the issues covered by those items, but the difficulties had to be acknowledged. No financial institution had yet found the magic formula to support the efforts of countries that were just launching their

industries. Since many international organizations and bilateral donors were trying to promote investment, there was a danger of overlap in programmes. His delegation therefore welcomed the work of coordination mentioned by the Director-General at the previous meeting and hoped that, in addition to UNCTAD, it would be extended to the World Bank group. The allotment of tasks to the various bodies should be based on their comparative advantages, and UNIDO had a special part to play in view of its experience.

62. **Mr. MOLLINGER** (Netherlands) said that, in view of the discussion at UNCTAD IX, which had started at Johannesburg the previous week, it would be useful to clarify his Government's position on UNIDO and its role in the United Nations family.

63. Mrs. Van Dok, the Netherlands Minister for Foreign Trade, had suggested the possibility of exploring a merger of UNIDO and UNCTAD, thus safeguarding the continuity of valuable work and reinforcing the socio-economic sector within the United Nations. That was not a proposal on which an immediate decision was needed, but merely an invitation to other countries and organizations to develop ideas to enhance further the effectiveness of the socio-economic sector of the United Nations. The Minister's statement had in fact been an elaboration of Netherlands comments at the last UNIDO General Conference session on matters of coordination, cooperation and rationalization within the United Nations.

64. The Netherlands continued to support UNIDO and its role within the United Nations, and commended the Secretariat for the results of the recent restructuring. However, that did not remove the obligation to explore further improvements, which might include a merger of UNIDO's valuable activities with those of other United Nations forums. He stressed that the Netherlands did not have a blueprint for such reconstruction and did not intend to submit any proposal at that point.

65. **Mr. MAYRHOFER-GRÜNBÜHEL** (Austria) said that his delegation was concerned at the statement just made by the Netherlands delegation, but the issue was not that of freedom to provide food for thought on the future structure of the United Nations. Austria's concern was the timing, the place and the context of that statement.

66. The reform process in UNIDO was not yet complete, and could only be judged by the results at country level. The Organization deserved some breathing space without the threat of further restructuring.

67. Moreover, the painful process of personnel reduction was now in its final phase, and the staff had been greatly affected by the uncertainties involved. There had been much deep personal anxiety and psychological suffering. To speculate about UNIDO's future at that juncture would be very unfair.

68. Member States owed it to the multilateral cooperation envisaged in the Charter of the United Nations, and to the Director-General and his staff, to keep the commitment made between UNIDO and its membership at Yaoundé, and reconfirmed the previous December.

69. **Mr. SOKOLOV** (Russian Federation) said that the present session of the Board was proceeding amidst continuing discussion of the role of the United Nations in helping to tackle global political, economic and social problems. His country supported measures to strengthen the United Nations system, hasten its adaptation to the needs and realities of the late twentieth century, increase its contribution to sustainable development and to the alleviation of poverty and improvement of living standards throughout the world, and ensure the optimal use of limited resources.

70. Such matters were of direct relevance to the process of restructuring which UNIDO had embarked upon in 1993. His country continued to support UNIDO as a central element of the United Nations system for stimulating the industrial progress of developing countries and also, in recent years, "transitional" countries in the process of moving towards a market economy. Russia's support for the Organization was not only political but was also expressed in practical, financial terms.

71. Although Russia considered, along with several other countries, that the restructuring of UNIDO was not being carried out in an entirely systematic or consistent manner, it recognized that substantial progress has been made in the direction of reform in 1995. The report contained in document IDB.15/14 indicated that the UNIDO leadership had successfully discharged the tasks assigned to it at the sixth session of the General Conference. During the crucial final stage of reform, the Organization had been confronted with the very difficult task of establishing and running in new organizational structures and improving methods and procedures while at the same time making large-scale staff reductions. The Secretariat should be given all due credit for tackling both tasks successfully with very little loss of efficiency in the overall work of the Organization or, most importantly, in the technical cooperation programme. It was also important that, thanks to the support provided by Member States in assigning the unutilized balance of appropriations to the payment of separation indemnities, the staff reduction process had been conducted in a humane way.

72. His country welcomed the new, consolidated structure of the Secretariat and hoped that the measures taken to merge and redeploy various units and services and to abolish certain specific units would enhance the Organization's effectiveness, and that the new Policy Coordination Office would help to further improve the quality of programmes and projects by strengthening strategic planning and supervision.

73. Considerable progress had also been made in defining and refining the procedures applied in preparing, developing, approving and implementing programmes and projects. Such procedures were now more closely aligned with the needs of the recipient countries and with the seven thematic priorities which provided the focus of the Organization's activities.

74. He welcomed the steps taken by the Director-General to strengthen coordination between UNIDO's substantive work and that of other specialized agencies and international organizations engaged in development assistance. In particular, important agreements had been concluded with UNESCO and UNCTAD, defining the mandates and functions of those organizations in relation to UNIDO and eliminating any duplication of tasks. It was to be hoped that the endeavours to coordinate and establish closer working links with other specialized agencies would prove equally fruitful.

75. His delegation also appreciated the work done in selecting and preparing technical cooperation programmes and hoped that, as a result of the new programme initiatives described in the report, especially those encompassing the impact-oriented programmes for Africa, the least developed countries, South-South cooperation and the development of women's entrepreneurship, UNIDO's effectiveness in those areas would be increased.

76. As a transitional economy, Russia ascribed particular importance to enhancing UNIDO's role as a global forum for normative activities aimed at promoting the industrial development of recipient countries, including the formulation of international norms, standards and agreements in the sphere of industry, which were acquiring ever greater importance within the context of a world economy as it becomes globalized and liberalized at an ever faster rate.

77. Generally speaking, the Secretariat had kept pace with the schedule assigned to it at the sixth session of the General Conference for the final phase of the Organization's reform process. UNIDO today was in many ways a leaner body with a precisely defined set of tasks and functions directed towards providing quality services — albeit within a narrower range in which the Organization could offer definite advantages compared with other international organizations. The main thing now was to avoid the waste of efforts and resources so often characteristic of any bureaucratic restructuring. Russia's recent history illustrated that point only too well. However, the Director-General's intention, stated in his report, to maintain a reforming approach to the management of the Organization and to retain the cross-divisional structures emerging from the reform provided grounds for optimism.

78. Now that the process of administrative and organizational reform was essentially completed, the Board should at one of its future sessions examine the Organization's effectiveness as a provider of technical assistance for the purposes of industrial development. UNIDO should be given the opportunity to function for a while in its new form and to adapt to the new conditions before a final judgement was made as to the success of the reform process and before recommendations were formulated regarding ways of improving the Organization further.

79. **Mr. H.-K. LEE** (Republic of Korea) stressed the need for Member States to give stronger support to UNIDO's reform process in recognition of the Secretariat's continuing efforts to finalize the reform as early as possible. Detailed procedures and mechanisms should be elaborated in a number of areas so that the principles laid down earlier were internalized in the Organization's work and effectively translated into day-to-day action.

80. His delegation welcomed document IDB.15/14, which was most informative. That document showed that the reform was being undertaken in a multidisciplinary way, regarding not only the organizational and staff structure but also regarding new programme initiatives, the management of UNIDO services and the improvement of the supporting processes. His delegation endorsed the various initiatives taken by the Secretariat including the alignment of project cycle management with the new thematic priorities, the revision of personnel policies and training, and the delegation of administrative and financial authority for UCD offices.

81. His delegation was pleased that UNIDO was fully geared to developing and implementing new substantive programmes in response to demand from Member States, taking into account the Organization's dual role as a global forum for industrial development and as a provider of integrated technical cooperation services. In that connection the approach through the high-impact programmes could make UNIDO's activities more action and result oriented to meet the real needs of its clients.

82. The Director-General's efforts for the Alliance for Africa's Industrialization, South-South cooperation and inter-agency cooperation were appreciated.

83. His delegation supported the Secretariat's efforts to conceptualize a new field of operations based on normative activities. However, the Secretariat should not become too ambitious in seeking new horizons, since the Organization was still facing difficulties. In that connection, UNIDO should provide services for industrial development on thematic, sectoral and geographical lines.

84. The Organization should avoid duplication with other intergovernmental bodies. In that connection, he welcomed the recent UNIDO-UNCTAD joint communiqué as part of the Organization's special coordination initiatives on industrial development in the United Nations system.

85. He reiterated his delegation's support for the Director-General's efforts to revitalize UNIDO and hoped that all Member States would support the Organization's continuing drive towards reform.

86. **Mr. ABDEL HALIM** (Sudan) said that his country believed that the path to peace, security and prosperity lay through solidarity and development, the achievement of which was a humanitarian duty for the entire international community. Particular attention should therefore be given to industrialization in the developing and least developed countries and Africa.

87. The statements made by the representatives of Pakistan on behalf of the Group of 77 and China and of Morocco on behalf of the African Group summarized the concern and expectations of all developing countries. Those countries, including his own, looked on UNIDO as their Organization. High-level meetings of the Non-Aligned Movement and of the Group of 77 had stressed the need for UNIDO to be preserved and to remain independent. Since the Non-Aligned Movement and the Group of 77 represented 133 out of the 185 States Members of the United Nations, their voice should be heard if the United Nations wished to preserve democracy. The Sudan supported UNIDO and its mandate and administration and believed that the staff should be enabled to do their work in the best possible way.

88. His delegation had noted document IDB.15/14 with appreciation and thanked the Director-General and the Secretariat for their work in implementing the measures adopted at Yaoundé in 1993. The Sudan welcomed the new structure of the Organization and hoped that further progress would be made in the interests of the developing countries and the least developed countries in particular.

89. While supporting all the reforms that had taken place in the first quarter of 1996, the Sudan believed that the developing and least developed countries were underrepresented in high-level posts in the Organization. He hoped that a good geographical distribution could be achieved by the Director-General, bearing in mind that, in accordance with article 11, paragraph 5, of the Constitution, the paramount consideration in the employment of the staff was to secure the highest standards of efficiency, competence and integrity. Member States should be able to continue to submit candidates of the highest competence for high-level posts. There should also be greater transparency in the consideration of candidatures, and he urged the Director-General to take account of the concern expressed by the developing countries in the African Group in that regard.

90. He appealed for all countries to support UNIDO, stressing the decisive importance of goodwill in that regard.

91. **Ms. HASAN** (Pakistan) welcomed the focus within the UNIDO reform process on programmes and activities based on approved objectives. In the more competitive climate following the WTO agreement and in keeping with global trends, many developing countries with experience of industrialization were now pursuing policies involving deregulation and liberal investment regimes. Some industries in those countries, however, would not be able to compete with the advanced countries unless UNIDO was upgraded to enable it to provide the necessary support facilities and access to information on investment opportunities and neutral technological options.

92. The introduction of processes aimed at improving the management of UNIDO was welcome but was no more than a means to an end, and all restructuring and rationalization should be linked to the needs of substantive programmes in the field. While it was as yet too early to expect the ongoing reforms to start producing visible results, efficient procedures were bound to bring about changes in organizational culture and corporate behaviour. A report on the actual operation of the new procedures and their impact on UNIDO's programme and also on the results of simplifying the project cycle would be of great interest to her country.

93. She welcomed the moves to strengthen the consultation process and, with particular regard to South-South cooperation, felt that consultations should be held with Member States as well as existing industry-related entities at the international and regional levels. In that

connection, it would be interesting to know whether the external consultants who had prepared a report on the matter would be involved in implementing the proposed reforms.

94. With regard to personnel policies, she expressed her delegation's concern at the regional and national disparities evident in the report contained in document IDB.15/3. The underrepresentation of the developing countries in the Secretariat should be rectified and the steps taken should be reported on. That was necessary both in terms of the requirements of the Constitution of UNIDO and in view of the need for regional representation in a multilateral organization. Moreover, there were many qualified and experienced professionals in developing countries who could serve the Organization well and bring to it a more intimate understanding of the problems of development.

95. **Mr. CELSO de OURO-PRETO** (Brazil) said that the concept underlying the foundation of UNIDO, namely that industry was one of the basic elements in the struggle for development, had been reaffirmed at the Montevideo Conference in 1995 and also at the recent Cochabamba Meeting.

96. He welcomed the laudable efforts undertaken by the Director-General and his staff to reduce costs and increase efficiency, but stressed that such an exercise was only one aspect of the challenge facing UNIDO. It was also necessary to decide how to respond to the extremely diverse demands of the complex process of industrialization in different countries, a process that could not be reduced to simplified models, especially in the developing world. The best approach to that challenge was to expand all forms of dialogue and negotiation with governments and local authorities in the countries concerned and to create flexible structures within UNIDO capable of responding to the full range of different requests and situations. In that regard, his country fully supported the strategy outlined in document IDB.15/14 regarding regular dialogue between UNIDO and the concerned authorities and development financing institutions, including UNDP, together with consultations with Member States and representatives of regional groups for the purpose of ensuring a demand-oriented approach within available resources.

97. His country supported the adoption of a simplified structure which would permit the more efficient use of resources. It also welcomed efforts aimed at increased cooperation between agencies of the United Nations system and, in that connection, congratulated the Director-General on the agreement recently reached with UNCTAD.

98. He stressed his country's particular interest in projects being planned or developed in Brazil for the establishment of centres for continental microbiology, clean technologies and genetic engineering, as well as projects relating to training. The importance of South-South cooperation with regard to such projects should be emphasized.

99. While noting the need to address the problem of some developing countries, including Brazil, becoming net contributors to UNIDO, he reaffirmed the need to maintain and further develop Latin America's participation in the Organization's activities.

100. **Mr. FABIJANSKI** (Poland) said that, with regard to the difficult task of assessing the viability of UNIDO only four months after the sixth session of the General Conference, his delegation associated itself with the statement made on behalf of the European Union, in particular concerning the establishment of the new Policy Coordination Office, the importance of further focusing UNIDO activities, implementation of staff reductions and coordination within the United Nations system. Moreover, the proposal to reduce the number and duration of meetings of the policy-making organs deserved serious consideration.

101. His delegation welcomed the report contained in document IDB.15/14, which gave an accurate overview of the Organization's priorities, targets and position in relation to the new world situation. In that regard, the continued restructuring of the Organization should be directed, on the one hand, towards meeting the current and predictable future needs of various groups of developing countries and economies in transition and, on the other, to serving the interests of industrialized countries by assisting the industrial development and economic transformation of those groups. Poland therefore supported all initiatives aimed at ensuring that UNIDO's tasks and targets continued to be geared to the practical needs of Member States.

102. Document IDB.15/14, together with the final report of the external consultants, provided an important insight into the problems of the final stage of the reform process, while also indicating the impressive results already achieved by the end of 1995. He was pleased to see that the impact of some of the achievements on the overall efficiency of the Organization's work could be measured in financial terms.

103. Although the staff reduction exercise and organizational restructuring had understandably overshadowed all the other efforts undertaken by the UNIDO leadership in the first quarter of the year and adversely affected programme delivery, the exercise had been conducted smoothly, causing only minor delays in

the reform process. It was to be hoped that the new, streamlined organizational structure of UNIDO could be stabilized at some stage in the medium term so that remaining staff might be able to concentrate fully on substantive work.

104. He agreed with the external consultants that the single most important process in UNIDO was that of the project cycle and welcomed its simplification, which should make for a further focusing of the Organization's activities and substantial savings at both the screening and implementation stages.

105. Turning to chapter IV of document IDB.15/14, regarding new programme initiatives for enhancing UNIDO's relevance, he noted that considerable interest had been shown by the donor community in funding high-impact programmes. He hoped that the endeavours to revitalize the activities of UNIDO in Africa and the LDCs would soon bring tangible results; the first signs were already indicated in document IDB.15/10.

106. He hoped that a clearer picture of what had been achieved in strengthening the normative functions of UNIDO would be available at the Board's sixteenth session. His country was also looking forward to the assessment of the impact of UNIDO's new staff performance evaluation system.

107. He noted with satisfaction that, in view of the exceptional budgetary situation prevailing during the 1996-1997 biennium, the Organization's programme and budgets were being implemented within the limits of available cash resources and in accordance with the contingency plans, and that prudence had been shown in withholding certain allocations to UNIDO programmes. With regard to the efforts to mobilize new sources of funds for such programmes, he acknowledged that it was premature to expect any quick or spectacular results and encouraged the UNIDO management to continue its systematic efforts to reach all categories of potential donors.

108. In short, Poland supported all efforts to adapt UNIDO to the new world economic situation and political order by limiting its activities to those of genuine importance for regional and national industrial development and eliminating any duplication of functions with other international organizations, while promoting synergies.

109. **Mr. OWIREDU** (Ghana) congratulated the Director-General and his staff on bringing about reforms, some painful but necessary for UNIDO's survival. He hoped that the staff affected by the reduction exercise had received a good enough handshake to enable them to start life afresh without problems.

110. In addition to the honour of being re-elected to serve on the Board, Ghana had also been selected as the venue for the next meeting of the Conference of African Ministers of Industry (CAMI), to be held at Accra the following year. Despite the financial burden of hosting that Conference, Ghana felt that the cause of fostering industrial development in Africa justified the outlay, especially in view of the support received from UNIDO over the years.

111. While Ghana had always benefited from UNIDO's services, there had been a dramatic improvement in those services when a Country Director had been assigned to Ghana in 1993. Field representation was immensely important for the developing and least developed countries; in his country such representation had yielded practical results in the form of studies on the wood and wood-processing industry, the use of *Gmelima arborea* as pulp wood for a pulp and paper project, the packaging industry and the textile and garment industry as well as the establishment of a database as part of the reorganization of the Ministry of Trade and Industry. A UNIDO expert was currently assisting a team from Ghana in prospecting for investors at a pulp and paper fair in Milan.

112. With regard to environmentally sustainable industrial development, it was gratifying to note such initiatives as the commercialization of research findings with a view to ensuring that the intended research institutions were able to meet the ISO 9000 and 14000 standards.

113. Following the Fourth World Conference on Women held in 1995, it was to be hoped that UNIDO would respond to the call for support in the development of programmes for women by encouraging Member States to integrate women fully in their industrial development activities at all levels. In general, UNIDO had already achieved a great deal in the area of human resource development through fellowship programmes, workshops, seminars and tailor-made training programmes. Such training was a vital component of industrial development and should be organized to meet industrial requirements both at national and district levels.

114. Ghana would persevere in its efforts to alleviate the plight of its neighbours whose developmental efforts were being undone by wars. UNIDO was serving a very useful purpose in fostering the development of poorer nations and deserved the support of all Member States to enable it to survive the current difficulties in order to help the developing and least developed countries to grow stronger economically and less burdensome to the developed countries.

The meeting rose at 1.05 p.m.